

STANDARD OF CARE

Prudent Investor Rule set forth in A.C.A. §§ 24-2-610-619 as amended by Act 151 of 2001

The standard of care for the Board and Executive Director of the assets of the ATRS System is: When investing and reinvesting trust assets and in acquiring, retaining, managing, and disposing of investments of the trust assets, the reasonable care, skill, and caution exercised by a prudent investor should be used after considering the purposes, terms, distribution requirements, and other circumstances of the trust.

Investment and management decisions respecting individual assets shall be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust. The investments of the trust shall be diversified unless the trustees reasonably determine that, because of special circumstances, the purposes of the trust are better served without diversifying. The trust assets shall be invested and managed solely in the interest of the members and benefit recipients of the trust.

Investment and management functions may be delegated to an agent that a prudent trustee of comparable skills could properly delegate under the circumstances. When making such delegation, trustees shall establish the scope and terms of the delegation, consistent with the purposes and terms of the trust, and shall monitor the agent's performance and compliance with the terms of the delegation. In performing a delegated function, an agent owes a duty to the trust to exercise reasonable care to comply with the terms of the delegation.

The standard of care set forth herein shall be applied by each party serving in a fiduciary capacity for the trust.

Adopted: October 7, 2003